

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: CNX Gas Company LLC

DIVISION OF GAS AND OIL
DOCKET NO. VGOB 89-0126-0009-04

RELIEF SOUGHT: MODIFICATION OF
NORA FIELD RULES

AFFECTED UNIT(S): O-75

APPLICATION

1. **Applicant and its counsel:** Applicant is CNX Gas Company LLC, P.O. Box 947, Bluefield, Virginia, 24605, (276) 988-1000. Applicant's Counsel is Mark A. Swartz, P.O. Box 517, Abingdon, Virginia, 24212, (276) 628-9211.

2. **Relief sought:** (1) Modification of the Nora Field Rules, to allow more than one coalbed gas well to be drilled within each of the 60 acre Nora Units identified above. (2) For an administrative order providing that additional well permits may be issued in the Nora Field after this application is filed and while it is pending.

3. **Legal authority:** 4 VAC 25-160-50 and § 45.1-361.20 of the Code of Virginia.

4. **Proposed provisions of order sought:** That additional coalbed methane gas wells may be drilled in each of the above referenced Nora Units and that production/royalties from each coalbed methane well drilled in the said Units shall continue to be allocated solely to the owners and claimants of and to the coalbed methane within the Unit in which the well is located.

5. **Type of wells and field:** Coalbed methane frac wells within the portion of the Nora Field described above.

6. **Formations subject to application:** All coal beds and coal seams below the Tiller seam. See Nora Field Rules.

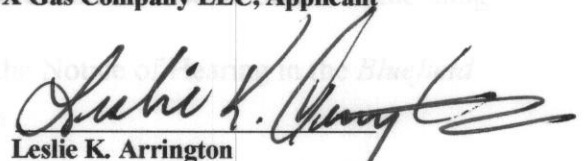
7. **Plat:** See Exhibit A1 annexed hereto.

8. **The boundaries and acreage affected:** See Exhibit A1 annexed hereto.

9. **Attestation:** The foregoing application to the best of my knowledge, information and belief is true and correct.

CNX Gas Company LLC, Applicant

By:


Leslie K. Arrington
Manager - Environmental Permitting
P.O. Box 947
Bluefield, VA 24605
(276) 988-1000

AFFIDAVIT OF DUE DILIGENCE

COMMONWEALTH OF VIRGINIA
COUNTY OF BUCHANAN

I, Leslie K. Arrington, after being duly sworn upon oath, state as follows:

1. I am a Manager – Environmental Permitting of CNX Gas Company LLC and am responsible for the notification process required by Va. Code Ann. §45.1-361.19 and VR 480-05-22.2 §4.
2. That CNX Gas Company LLC has exercised due diligence in attempting to locate and notice all owners and claimants who are unleased and/or who were not previously pooled by prior order(s) of the Virginia Gas and Oil Board regarding **the Nora Field Modification / Infill Drilling**, all as required by Va. Code Ann. §45.1-361.19 and VR 480-05-22.2.
3. That on **May 19, 2006** a true and correct copy of the Notice of Hearing with Exhibits will be mailed, via certified mail return receipt requested, to all owners and claimants listed in Exhibit B-3 for whom mailing addresses were then available.
4. That every individual or entity having an unleased or unpooled interest in the methane gas underlying the tracts in the **Nora Field Modification / Infill Drilling**, whether known or unknown, including those persons whose mailing address were unknown, was notified of the filing of CNX Gas Company LLC's application by publication of the Notice of Hearing in the *Bluefield Daily Telegraph*.
5. That CNX Gas Company LLC will continue to exercise due diligence in attempting to locate and identify the names and/or addresses of any unknown or unlocatable parties and, if located or identified, will notify them of CNX Gas Company LLC's application.

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: CNX Gas Company LLC

DIVISION OF GAS AND OIL

DOCKET NO. VGOB 89-0126-0009-04

**RELIEF SOUGHT: MODIFICATION OF
NORA FIELD RULES**

AFFECTED UNITS: O-75

NOTICE OF HEARING

HEARING DATE: June 20, 2006
PLACE: Southwest Virginia Higher Education Center
Campus of Virginia Highlands Community College
Abingdon, Virginia
TIME: 9:00 a.m.



COMMONWEALTH OF VIRGINIA:

To: *Bull Creek Coal Company and ELE, LLC*

1. **Applicant and its counsel:** Applicant is **CNX Gas Company LLC**, P.O. Box 947, Bluefield, Virginia, 24605, (276) 988-1000. Applicant's Counsel is Mark A. Swartz, P.O. Box 517, Abingdon, Virginia, 24212, (276) 628-9211.

2. **Relief sought:** (1) Modification of the Nora Field Rules to allow more than one coalbed gas well to be drilled within each of the 60 acre Nora Unit(s) identified above. (2) For an administrative order providing that additional well permits may be issued in the Nora Field after this application is filed and while it is pending.

3. **Legal authority:** 4 VAC 25-160-50 and § 45.1-361.20 of the Code of Virginia.

4. **Proposed provisions of order sought:** That additional coalbed methane gas wells may be drilled in each of the above referenced Nora Unit(s); and that production/royalties from each coalbed methane well drilled in the said Units shall continue to be allocated solely to the owners and claimants of and to the coalbed methane within the Unit in which the well is located.

5. **Type of wells and field:** Coalbed methane frac wells within the portion of the Nora Field described above.

6. **Formations subject to application:** All coal beds and coal seams below the Tiller seam.

7. **Description of interest/claim of persons being notified:** Coalbed methane.

8. **Estimated reserves in each Nora Unit identified above:** 125 to 550 MMCF.

9. **Plat:** See Exhibit A1 annexed hereto.

10. **The boundaries and acreage affected:** See Exhibit A1 annexed hereto.

11. **Attestation:** The foregoing notice to the best of my knowledge, information and belief is true and correct.

INSTRUMENT PREPARED BY
VIRGINIA GAS AND OIL BOARD

ORDER RECORDED UNDER CODE
OF VIRGINIA SECTION 45.1-361.26

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: **CNX GAS COMPANY LLC**

DIVISION OF GAS
AND OIL DOCKET
NO. 98-0126-0009-04

RELIEF SOUGHT: MODIFICATION OF THE OGCB
NORA FIELD RULES ORDER ENTERED MARCH 26,
1989, AS AMENDED, TO ALLOW
MORE THAN ONE COALBED GAS WELL
TO BE DRILLED IN THE UNITS
IDENTIFIED ON EXHIBIT A HERETO

LEGAL DESCRIPTION: DRILLING UNIT O-75; LOCATED IN BUCHANAN
COUNTY, VIRGINIA; SEE ANNEXED **EXHIBIT A1** AND STATE PLANE
COORDINATE DESCRIPTION AT PARAGRAPH 7.h. WITHIN

**REPORT OF THE BOARD
FINDINGS AND ORDER**

1. Hearing Date and Place: This matter came on for hearing before the Virginia Gas and Oil Board (hereinafter "Board") at 9:00 a.m. on **June 20, 2006** at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, Virginia.

2. Appearances: **Mark A. Swartz**, Esquire, appeared for the Applicant; and Sharon M.B. Pigeon, Assistant Attorney General was present to advise the Board.

3. Jurisdiction and Notice: Pursuant to sections 45.1-361.1 *et seq.*, Virginia Code, as amended, the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by the Applicant, the Board also finds that the Applicant has (1) exercised due diligence in conducting a meaningful search of reasonably available sources to determine the identity and whereabouts of each gas and oil owner, coal owner, or mineral owner, or in the case of conflicting claims to the ownership of the coalbed methane gas, each person identified by Applicant as a potential owner of the coalbed

methane gas underlying the area described at paragraph 7.h below and in **Exhibit A** attached hereto; and (2) has given notice to all parties so identified (hereinafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) and entitled by §§ 45.1-361.19 and 45.1-361.20, Virginia Code, as amended, to notice of this Application, and (3) that the persons listed in the Notice of Hearing are the persons so identified by the Applicant. Further, the Board has caused notice of this hearing to be published as required by § 45.1-361.19.B., Virginia Code, as amended. Whereupon, the Board hereby finds that the notices given satisfy all statutory requirements, Board rule requirements and the minimum standards of State due process.

4. Amendments and Dismissals: None.

5. Relief Requested: (1) Modification of the Nora Gas Field Rules to allow more than one coalbed methane gas well to be drilled within each of the Nora Field Drilling Units identified above and in **Exhibit A1** attached hereto; and (2) for an administrative order providing that additional well permits may be issued in the Nora Field after this Application is filed and while it is pending.

6. Relief Granted: Available data and the evidence adduced at the hearing support Applicant's position that the production from the pool underlying the Nora Coal Bed Gas Field Drilling Units in question would be enhanced and benefit from in-field drilling; accordingly,

a. With regard to the Drilling Units described above and in **Exhibit A1** hereto, the Nora Coal Bed Gas Field Rules Order, OCGB order entered of March 26, 1989, is hereby amended to allow the Board's Designated Unit Operator in Drilling Units pooled by Board Order and the Well Operator/Permittee in voluntary Drilling Units to drill a total of two wells, said total to include any previously permitted wells, within the units affected by the Application and this Order;

b. In the event that an additional coalbed methane gas well(s) permitted and drilled after the entry of this order is located within the drilling window(s) of a Nora Coal Bed Gas Field Drilling Unit affected by this order, the production therefrom shall be solely attributed to and allocated to the Nora Drilling Unit within which the wells are located. Such well(s) will be subject to any existing pooling orders, and no further Board appearance or action will be required;

c. In the event a second well is proposed that is to be located outside the drilling window of any Nora Unit affected by this order and a permit application is submitted to the Division of Gas and Oil seeking such location exception, the Inspector shall assess the permit as follows:

- (i) If an 58 acre square with the proposed well at its center lies entirely within Nora Drilling Units which are voluntary in nature

and are not subject to existing pooling orders, the Inspector may grant or deny the location exception on a case-by-case basis according to standard procedures and provisions of the Nora Order which allow wells to be drilled outside drilling windows; or

(ii) If a 58 acre square with the proposed well at its center lies entirely or partially within any Nora Drilling Unit(s) which is subject to existing pooling orders, the Inspector shall refer the permit application to the Board for its recommendations concerning correlative rights considerations, modification of pooling orders, and escrow provisions. Alternatively, the Unit Operator may present a pooling proposal directly to the Board prior to filing a permit application. No permit under this paragraph ii. shall be issued until the Board has acted on the matter.

7. Special Findings:

- a. Applicant's proposed field rule modification is not an unreasonable or arbitrary exercise of the owner's right to explore for or produce gas;
- b. The Applicant's proposal would not unreasonably interfere with the present or future mining of coal or other minerals;
- c. The acreage to be embraced in the Drilling Units affected by and/or created by this Modification Order shall be as set forth above and in **Exhibit A1** attached hereto.
- d. The formations subject to this Modification Order are described in the OGCB Order entered 3-26-89, as amended.
- e. The boundaries of the Drilling Units are the same as heretofore established by the OGCB Order entered 3-26-89, as amended.
- f. Unit Operator's production simulations indicate that drilling of an additional well in each Unit could facilitate the recovery of an additional 250,000 MCF of gas per Unit within 10 years of drilling.
- g. The boundaries of any Drilling Units created subsequent to this Modification Order shall be according to paragraph 6.c.ii. above and as defined by Board action specific to individual units.
- h. The acreage subject to this Modification Order is depicted in **Exhibit A1** hereto and is more specifically described as follows:

Beginning at a point in the Virginia South Coordinate System
(NAD27) N: 930000.000 E: 362054.000 N02° 17'57" W 1595.28 feet

to a point; thence S87° 48' 50" W 1599.16 feet to a point; thence S02° 13' 39" E 1595.21 feet to a point; thence N87° 49' 00" E 1601.16 feet to a point of beginning, containing approximately 58.65 +/- acres.

i. Having considered the evidence presented, the Board found no reason to establish any allowable production rates for the wells contemplated by this Modification Order;

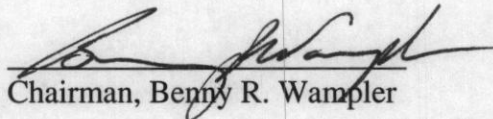
j. Except as herein specifically modified, the proposed Drilling Units more fully described above and in **Exhibit A1** attached hereto shall be developed and produced in compliance with the OGCB Order entered on 3-26-89 regarding the Nora Field, as amended.

k. This Modification Order shall be effective as of the date of the hearing, to-wit: **June 20, 2006.**

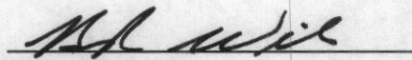
8. Conclusion: The relief granted hereby will assist in enhancing production from existing wells, will assist in more efficiently recovering coalbed methane gas from the area in question, will prevent waste, and will continue to protect the correlative rights of all owners and claimants. Therefore, the relief and all terms and provisions set forth above be and are hereby granted and IT IS SO ORDERED.

9. Effective Date: **June 20, 2006.**

DONE AND EXECUTED this 15th day of November, 2006, by a majority of the Virginia Gas and Oil Board.

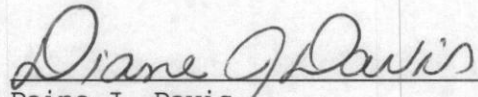

Chairman, Benny R. Wampler

DONE AND PERFORMED this 15th day of November, 2006, by Order of this Board.

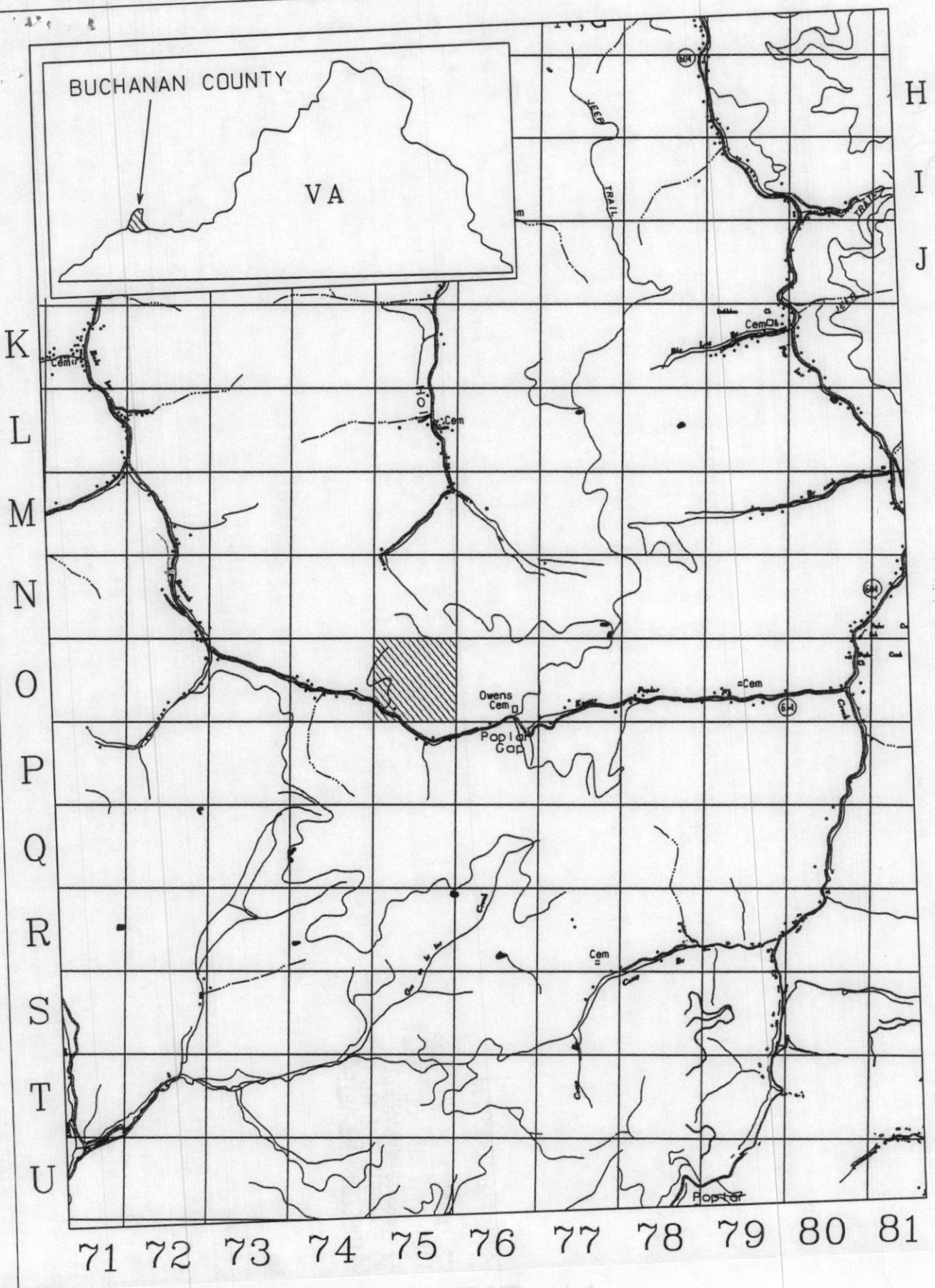

B. R. Wilson
Principal Executive to the Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 15th day of November, 2006, personally before me, a notary public in and for the Commonwealth of Virginia, appeared Benny R. Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, and B. R. Wilson, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that they executed the same and were authorized to do so.


Daine J. Davis
Notary Public

My commission expires: 9/30/09



VIRGINIA: In the Clerk's Office of the Circuit Court of Buchanan County. The foregoing instrument was this day presented in the office aforesaid and is, together with the certificate of acknowledgement annexed, admitted to record this 30th day of April, 20 07. Instrument No. 070001669 TESTE: Beverly S. Tiller, Clerk
Returned to: Amme TESTE: Beverly S. Tiller ~~Deputy~~ Clerk